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cc: Lynn

# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov/ut/st/en.html>



IN REPLY REFER TO:

3833

(UT9223-OA)

UTU-79710

BLM Bond No. UT1267

FEB 03 2012

RECEIVED

FEB 07 2012

DIV. OF OIL, GAS & MINING

CERTIFIED MAIL— 7011 1150 0000 6739 8740

Return Receipt Requested

Mr. Jeff Fawcett  
Color Country Rock LLC, Principal/Obligor  
3600 S. 1700 E. Box 2  
St. George, UT 84790

Dear Mr. Fawcett:

Effective November 17, 2006, this office accepted a \$15,000 Irrevocable Letter of Credit (LOC), No. 154000798, to secure 3809 plan UTU-79710 (Windy Project, S/053/0071) surface management bond filed by Color Country Rock LLC, Principal/Obligor.

On January 23, 2012, we received a notification from Federal Deposit Insurance Corporation (FDIC) that it has elected to disaffirm the above-referenced LOC to the full extent. However, the cancellation or disaffirmation date cannot be less than 90 days from when this office received the FDIC notice.

The Bureau of Land Management (BLM) and the Utah Division of Oil, Gas, and Mining (UDOGM) have determined that the reclamation has not been completed. Therefore, we cannot provide a release on all past, present and future liabilities under LOC No. 154000798.

The authorized officer shall not give consent to termination of the period of liability of any bond unless an acceptable replacement bond has been filed or until all the terms and conditions of the 3809 notice has been met. When the BLM St. George Field Office and the Utah State of Division of Oil, Gas, and Mining concur in termination of the period of liability, it means that they have determined, to the extent that they can, that all terms and conditions of all plans of operations/notices covered by the bond have been completed. Only when such a determination has been made can this office terminate the period of liability; that is, set a specific time after which no new liability or cause of action may accrue under the bond. The regulations do not allow any complete cancellation or an "unconditional release" of the surety from any liability whatsoever.

The bond was accepted to provide bond coverage for operations held by the principal during the period from the date of its acceptance until the BLM determined, to the best of its knowledge, that the bond was no longer required and terminated its period of liability. The termination of liability would not preclude our assessing liability against the principal and surety if, for example, 2 years after termination of the period of liability, the BLM discovers that reclamation and restoration was improperly performed and has caused serious environmental damage. The fact that the period of liability of the bond has been terminated means only that the exact date has been set, beyond which no new cause of action may accrue. Therefore, we cannot grant you an unconditional release of the bond.

In addition, the BLM St. George Field Office and UDOGM have determined that the 2012 bond calculation is \$27,800. Therefore, you are hereby requested to provide a replacement security and it must be in the amount of \$27,800 to cover the increase. The replacement bond must be submitted to the BLM Utah State Office or the UDOGM on or before April 15, 2012. Pursuant to 43 CFR 3809, a reclamation bond is not released from an obligation that accrued while the reclamation bond was in effect unless the replacement financial guarantee/bond covers such obligations to the BLM's satisfaction. The replacement bond must assume any outstanding liability on the operations(s) covered by the prior bond. The required bond forms are attached for your use.

In accordance with regulations at 43 CFR 3809, if a replacement financial guarantee/bond is not received in this office on or before April 15, 2012, this office will demand that the FDIC, Receiver of SunFirst Bank, pay the full amount of LOC No. 154000798 to insure continuing coverage of the principal/obligor named above. Such funds will be retained in our suspense account, with no interest accruing to the obligor, until the bond coverage is no longer required or until the obligor furnishes another replacement security.

If there are any questions prior to providing this replacement security, please contact Opie Abeyta of this office at (801) 539-4123.

Sincerely,



Roger L. Bankert  
Chief, Branch of Minerals

Enclosures:  
Bond Forms

cc: CERTIFIED MAIL— 7011 1150 0000 6739 8764  
Return Receipt Requested  
Federal Deposit Insurance Corporation as Receiver of SunFirst Bank  
ATTN: Claims Agent  
1601 Bryan St., Dallas, TX 75201

Russell Schreiner, St. George FO (LLUTC03000)

UDOGM (S/053/0071)  
1594 W. North Temple, Suite 1210, Salt Lake City, UT 84114